Is eradicating poverty in the Philippines by 2030 doable?

Celia M. Reyes

The Philippines aspires to be an upper-middle-income country by 2022, as stated in the Philippine Development Plan 2017–2022 (NEDA 2021). It aims to reduce rural poverty from 30 percent in 2015 to 20 percent in 2022 and overall poverty from 21.6 percent to 14 percent in the same period. It has also committed to the Sustainable Development Goals, where the first goal is to eradicate extreme poverty by 2030.

With 2022 just a year away, how close is the Philippines to lifting six million Filipinos out of poverty? How does it fare in poverty reduction compared to other upper-middle-income countries?

While poverty is multidimensional, this Policy Note focuses on income poverty. The Social Reform and Poverty Alleviation Act (Republic Act [RA] 8425) defines the poor as individuals and families whose income falls below the poverty threshold as identified by the National Economic and Development Authority and/or those who cannot afford their minimum basic needs (e.g., food, health, education, housing, and other essential amenities) in a sustained manner.

**Where are we now?**

Using the USD 1.90 poverty line, the poverty incidence in the Philippines is 4.7 percent, which is lower than the average of 10.6 percent for lower-middle-income countries but higher than the average of 1.3 percent for upper-middle-income countries. It performs worse than other lower-middle-income countries in Southeast Asia, such as Viet Nam, Indonesia, and Myanmar, but performs better than Lao PDR (Figure 1). Using the poverty line of

**Salient Points:**

- Sustained economic growth and redistributive policies have reduced poverty significantly from 2012 to 2018.

- Shocks, such as the COVID-19 pandemic, natural disasters, and catastrophic illnesses, push people into transient poverty. While some of the poor are able to move out of poverty, others fall into poverty.

- Risk management tools, such as agricultural insurance and health insurance, and adequate safety nets are necessary to prevent people from falling into poverty. Well-designed and well-targeted social protection programs are essential to lift people out of poverty.
Is eradicating poverty in the Philippines by 2030 doable?

USD 3.20 a day for lower-middle-income countries, the Philippines’ poverty incidence is 25.5 percent, lower than the average of 37.7 percent for lower-middle-income countries but much higher than the average of 4.6 percent for upper-middle-income countries. Using the poverty line of USD 5.50 a day for upper-middle-income countries, the Philippines has a poverty incidence of 58.7 percent. This is lower than the average of 70 percent for the lower-middle-income countries but much higher than the upper-middle-income countries’ average of 17.4 percent.

**Trends in poverty reduction**
The Philippines experienced a significant decline of 9.9 percentage points in poverty incidence in 2012–2018. This coincided with the period of sustained economic growth of at least 6 percent annually. From 2006 to 2012, there had been a maximum of 1.1 percentage point reduction every three years, which accelerated in 2012–2018. Between 2012 and 2015, there was a 3.6-percentage point decline in the poverty incidence. Moreover, between 2015 and 2018, poverty incidence declined by 6.3 percentage points (Figure 2), which translated to 17.7 million poor Filipinos in 2018. In the past, the magnitude of poor Filipinos has not gone down despite the modest declines in poverty incidence due to population growth. The annual population growth rate exhibited a downtrend from 2.32 percent in 1990–1995 to 1.63 percent in 2015–2020.

In 2018, the poverty incidence among families stood at 12.1 percent, a significant reduction from the 18-percent poverty incidence in 2015 (Figure 3). This corresponds to about three million poor families.

**Profile of the poor**
*Regional disparities.* Disparities among regions continue to be large, although it has narrowed over time except for the Autonomous Region in Muslim Mindanao (ARRM). In 2018, the National Capital Region (NCR) had the

---

2 • Is eradicating poverty in the Philippines by 2030 doable?
Figure 2. Poverty incidence and magnitude among the population

Note: Data for 1991, 2006, 2009, and 2012 for the new series and data for 2018 for the old series are the author’s estimates.

lowest poverty incidence at 2.2 percent while ARMM had the highest at 61.8 percent. All regions experienced a reduction in poverty incidence between 2015 and 2018, except for ARMM, which experienced an increase from 59.4 percent to 61.8 percent. Moreover, the disparities widened for ARMM. In 2015, the poverty incidence in ARMM was 15 times that of NCR; in 2018, it worsened to 28 times.

The NCR has the least number of poor people at 1.7 percent in 2018. The rest of Luzon has 30.1 percent; Visayas, 23 percent; and Mindanao, 45.1 percent. The share of Mindanao has increased significantly from 29 percent in 1991, while the share of Luzon has shrunk from 44 percent in 1991. In 2018, the poor are concentrated in ARMM (14%), Bicol (9.2%), Eastern Visayas (8.0%), Central Visayas (7.8%), and Soccsksargen (7.6%).

Urban-rural disparities. Poverty is mainly a rural phenomenon; 71.6 percent of the poor reside in rural areas. Poverty incidence is almost three times higher in rural areas than in urban areas. In 2018, the poor

Figure 3. Poverty incidence and magnitude among families

comprised 24.5 percent of the people living in rural areas while it was only 9.3 percent in urban areas.

**Sector of employment.** In 2018, almost three-quarters (73.4%) of the poor were households with heads working in agriculture (52.4%), construction (9.1%), transport and storage (6.0%), and wholesale and retail trade (5.9%).

**Chronic and transient poverty**
Using panel data from the Family Income and Expenditure Survey (FIES) from 2003 to 2009, Reyes et al. (2011) found considerable movements in and out of poverty. Of those classified as poor in 2009, slightly less than half are chronic poor or consistently poor from 2003 to 2009. This indicates that households who experience shocks can be provided with adequate safety nets to keep them from falling into poverty, which could significantly reduce transient poverty.

Currently, official data do not distinguish between the chronic and transient poor. The two groups are treated homogeneously and the programs designed for them are the same. Lack of understanding of the dynamics of poverty can lead to inappropriate interventions. Unfortunately, the panel data required for this kind of study was discontinued by the PSA.

**Why are we here?**

**Economic growth**
Using decomposition analysis, Reyes et al. (2020) show that economic growth and redistributive policies have contributed equally to reducing poverty in 2015–2018.

The Philippines, until very recently, has had a boom-bust cycle of growth—growing for a few years and then slowing down. The longest sustained high growth—at least 6 percent for eight consecutive years—was in 2012–2019. This coincided with the period when there was a significant reduction in poverty incidence. Unfortunately, the coronavirus disease 2019 (COVID-19) pandemic has brought this to a halt.

Agriculture, where most of the poor are, has the lowest labor productivity (defined as output per worker) compared to industry and services sectors. Labor productivity in agriculture (PHP 182,545 per worker) is less than half of that in services (PHP 474,377 per worker) and about one-fourth of that in industry (PHP 709,326 per worker).

In addition to agriculture, the poor are also concentrated in construction, transport and storage, and wholesale and retail trade, which also have low labor productivity as reflected in the per capita incomes of households working in these sectors.

**Redistributive policies**

**Land.** The Comprehensive Agrarian Reform Program (CARP) has been going on for many years, with land redistribution as its primary goal. In recent years, its focus has shifted to providing support services to agrarian reform beneficiaries. Agrarian reform, together with the parcelization of land among family members from one generation to another and the continued conversion of agricultural land due to urban development, has led to land fragmentation. From 2.8 hectares (ha) in 1980, the average landholding has gone down to 1.3 ha in 2012, making it difficult for farmers to realize economies of scale.

**Taxation.** The Tax Reform for Acceleration and Inclusion (TRAIN), one of the main packages of the Comprehensive Tax Reform Program, was implemented starting January 2018, following the passage of RA 10963. The TRAIN Law reduces the income tax of lower-income earners. Those earning less than PHP 250,000 need not pay tax. Moreover, the value-added tax (VAT) system was revised by repealing 54 provisions on VAT exemption, except on agricultural and marine products, educational and health services, cooperatives, and transactions made by senior citizens and persons with disabilities. Reduced income taxes from these changes will be compensated with increased excise taxes on oil, automobiles, and tobacco.
Education. Education is one of the major pathways out of poverty. Those with higher educational attainment tend to land better-paying jobs. A worker who is a college graduate tends to earn twice the salary of a high school graduate and two-and-a-half times that of an elementary graduate. A doctoral degree holder earns twice the salary of a college graduate.

However, as explained in Reyes (2021), the poor are more likely to have lower access to opportunities in education, and this inequity is more pronounced in the secondary and tertiary levels. The lower-income groups have a lower school attendance rate for all levels of education. The difference in the participation rate between the richest and poorest deciles is 3.3 percentage points at the elementary level, 16 percentage points at the secondary level, and 25.8 percentage points at the tertiary level.

Recently, public policies have focused on increasing opportunities for the poor, particularly in education. The Universal Access to Quality Tertiary Education Act (RA 10931) aims to make higher education more accessible to students by waiving tuition expenses and other school fees in all public higher education institutions and public technical-vocational institutions. A study done by Orbeta and Paqueo (2017) noted that this may not benefit the poor more since most of the students enrolled in HEIs belong to higher-income groups, and those from the bottom 20 percent only constitute about one-tenth of the total enrollment in 2014.

Pantawid Pamilya Pilipino Program (4Ps). The 4Ps (RA 11310) is the country’s biggest social protection program. As a conditional cash transfer program, the 4Ps aims to reduce intergenerational poverty by providing incentives for families to invest in the education and health of their children. Poverty reduction is assumed to be not immediate and will happen when the children eventually enter the labor force and land good jobs. Some households, particularly those near the poverty threshold, will be able to move out of poverty temporarily with the cash grants.

One of the challenges confronting the program is leakage and exclusion. Reyes and Tabuga (2012, p. 7) noted that the proxy means test model used in identifying poor families in the National Household Targeting System for Poverty Reduction (NHTS-PR) is “overestimating the number of poor families”. For instance, there were 5.7 million poor families in 2009 listed in the NHTS-PR, yet official poverty estimates in the same period resulted in only 3.9 million poor families based on their revised methodology (Reyes et al. 2013). The 4Ps is estimated to have a leakage rate of 29 percent, which suggests that out of every 100 beneficiaries, 29 are nonpoor (Fernandez and Olfindo 2011).

The 4Ps has 4.3 million family beneficiaries, identified mainly through the NHTS-PR or Listahanan 1. Considering the considerable movements in and out of poverty, the list of beneficiaries needs to be updated to include the new poor and exclude those who have moved out of poverty. Listahanan 2 was conducted in 2015 but was not used in updating the list. Listahanan 3 will be completed this year.

There are also challenges in the mode and frequency of the cash payment delivery system. The use of digital platforms for cash transfer and the monitoring of beneficiaries can make the payout of the cash grants more efficient.

Health. The Universal Health Care Act (RA 11223) aims to provide access to quality and affordable health care for all Filipinos by automatically enrolling everyone into the National Health Insurance Program.

While this law provides for 100-percent coverage in the Philippine Health Insurance Corporation (PhilHealth), universal coverage is still a distant goal. PhilHealth covers only 66 percent of the population as of 2017. The poor have much lower access to PhilHealth, with the poorest households having 59-percent coverage against 79 percent for the richest households (PSA and ICF 2018).
**Population management**

The country’s population growth has slowed down. Still, the rate is one of the highest in Southeast Asia—higher than the population growth of Thailand, Indonesia, Viet Nam, and Malaysia (PSA ____).

The poor tend to have larger family sizes and higher unmet needs for reproductive health services. Based on the 2017 National Demographic and Health Survey, 13.6 percent of women from the poorest households have an unmet need for family planning, higher than the 9.2 percent for those that belong to the richest households. This suggests that the country’s population management policy plays a critical role in the fight against poverty (Reyes 2002).

**Shocks**

Based on the only available panel data from FIES, only about half of those classified as poor are consistently poor. This means that the other half fall into poverty due to some shocks. This implies that if there are effective safety nets, the increase in the poverty incidence due to shocks can be reduced or even avoided. This also means that poverty incidence would be much lower and would consist mostly of the chronic poor.

Shocks could be natural disasters (floods, earthquakes), manmade shocks (financial crisis), or health risks.

**Natural disasters.** Helping the vulnerable manage risks is essential, especially since the Philippines ranks third in the list of most disaster-prone countries in the *World Risk Report 2018* (Bündnis Entwicklung Hilft 2018).

Typhoons, floods, and other natural disasters wreak significant damages to the agriculture sector. The agricultural insurance program managed by the Philippine Crop Insurance Corporation can help farmers and fisherfolk cope with the adverse effects of natural disasters. However, while provided free to farmers, the benefit coverage is small, which is insufficient when a disaster strikes hard.

**Catastrophic illnesses.** Catastrophic illnesses may lead families without adequate health insurance and access to public health services to fall into poverty. Using data from the Family Income and Expenditure Survey, it was estimated that 172,000 families had fallen into poverty in 2018 due to out-of-pocket expenses, adding 0.7-percentage point to the poverty incidence. This translates to about 853,000 poor people in one year.

**COVID-19 pandemic.** The pandemic is predicted to have reversed the recent gains in poverty reduction. The lockdowns are estimated to have increased poverty incidence to 16 percent in 2020, up by 5.4-percentage points from 2019 (Reyes 2021). The Social Amelioration Program (SAP), which provided cash transfers to about 18 million for the first tranche and 14 million families for the second tranche, was implemented in 2020. With this assistance, poverty incidence is estimated to have gone down by 3.8 percentage points or down to 12.2 percent (Reyes 2021).

**Prices**

The ability to meet basic food and nonfood needs depends both on income and prices. High inflation can erode the purchasing power of households, increasing the poverty threshold or the amount necessary to meet basic food and nonfood needs. Since 1994, the inflation rate has been contained to a single digit and has gone down to 0.7 percent in 2015. Except for 2018, the inflation rate has not exceeded 3.6 percent since 2021, suggesting lower increases in the poverty threshold.

Food items constitute about 40 percent of the consumer price index (CPI). Rice is the most important commodity, with a weight of 10 percent in the CPI. Among nonfood items, housing, water, electricity, gas, and other fuels constitute 22 percent, while transport represents 8 percent.

Price hikes are usually triggered by natural disasters, disruptions in supply chains, entry of imported commodities, disease outbreaks, and oil supply disruption, among other factors.
Recent policies aimed at bringing down prices include the Rice Tarrification Act that converts quotas to tariffs, allowing more rice imports and aligning domestic prices of rice with world prices. The TRAIN law also provides VAT exemptions on essential goods (raw agricultural and marine products, educational services, and health services) and transactions of vulnerable groups (e.g., senior citizens and persons with disabilities). The sale of drugs and medicines for diabetes, high cholesterol, and hypertension was also added to the list of VAT-exempt transactions starting in 2019.

**How do we eradicate poverty?**
Reducing poverty is more challenging now, more than ever, while the pandemic persists. It may take several years before the country can go back to the prepandemic growth path. But it is doable. In addition to the aforementioned points, the following recommendations are suggested to eradicate poverty in the country in the medium to long term.

**Promote economic growth, particularly in agriculture, where the majority of the poor are**
Economic growth is vital to raise mean incomes and reduce poverty. If not for the COVID-19 pandemic, the economy would have continued to grow rapidly as a result of previous macroeconomic reforms. The economy would likely get back to its prepandemic track by 2023. But the pattern of growth would have to change, with a higher growth rate needed for the agriculture sector, where majority of the poor are. How to achieve this is explained in Briones (2021).

**Increase opportunities in education for the poor and marginalized sectors**
Education is a pathway out of poverty. The 4Ps program can be improved by targeting the chronic poor. This would reduce the number of beneficiaries significantly. Moreover, providing free tuition in public tertiary institutions should be revisited to see if this could be targeted to the poor to make it more pro-poor. Students belonging to richer income groups need not be given financial assistance. This would make the program more financially sustainable. Other recommendations on how to increase the poor’s opportunities for education and how to improve the quality of education are given in Orbeta and Paqueo (2021).

**Increase the poor’s access to reproductive health services**
Increased government support is needed from the national and local governments to improve access by the poor to reproductive health services.

**Expand risk management tools for the agricultural sector through the agricultural insurance program**
It is recommended to provide free insurance only to those with farm sizes of 1 ha or less and subsidized premium to those with landholdings of more than 1 ha and less than 2 ha. Partnership with local government units would be a good way to finance the free and subsidized crop insurance. Similar schemes can be adopted for livestock growers and fisherfolk. This will make the program financially sustainable and more effective in helping agricultural workers cope with shocks.

Furthermore, implementation weaknesses such as low awareness of targeted beneficiaries and farmers’ difficulties in enrolling and getting claims should be addressed.

**Expand risk management tools to cope with catastrophic illnesses through PhilHealth**
Abrigo (2021) presents recommendations on how PhilHealth can be more responsive to those with catastrophic illnesses.

**Generate data on chronic and transient poverty**
A better understanding of the dynamics of poverty is necessary to inform policies and programs to address chronic and transient poverty. The PSA is advised to redesign the FIES to generate panel data and study the dynamics of poverty. Alternatively, the Community-Based Monitoring System, now institutionalized and spearheaded by PSA, can be used to generate panel
data, if it will continue to collect income data. Research institutions, such as PIDS, can also be tasked to collect panel data.

With adequate data, differentiated policies and programs can be designed to better address the needs of the chronic and transient poor rather than treating them homogeneously. It will also provide the necessary information for designing and budgeting for these different interventions.

**Improve design, targeting, and implementation of social protection programs**
Differentiated social protection programs for the chronic and transient poor are necessary to address the needs of the two groups. It is also vital to improve program design, targeting, and implementation.

*Cash vs. in-kind transfer.* During disasters, when supply chains are disrupted and mobility is constrained, in-kind transfers are most useful. However, cash transfers may be more effective in addressing specific needs when the markets are operating and mobility has been restored. Since food packs are important to smooth consumption, the composition of the food packs may not be the most appropriate for a particular household.

*Lumpsum vs. tranches.* Small and frequent cash transfers may be effective in smoothing consumption but may not be as effective in rebuilding assets. For the latter, lumpsum transfers may be used as capital for microbusinesses and be more effective in recovering faster from shocks.

*Targeting vs. universal access.* Since resources are limited, it is necessary to employ targeted schemes. For the 4Ps, there is a need to update the PMT model and use Listahanan 3 or the latest version.

The SAP took several months to distribute, partly due to the difficulty of identifying and locating the eligible beneficiaries. The alternative is to have universal access to avoid the difficulties of targeting. This is being proposed with Bayanihan 3, which means a more significant amount for those who really deserve to get the emergency subsidy.

If universal access is to be provided, it is recommended that application to the program be required to receive the benefit and information about it be widely disseminated down to the barangay level. This will lead to self-targeting, which is more appropriate given the tight fiscal space.

**Monitoring and evaluation of programs.** Monitoring and process evaluation of programs need to be regularly conducted to identify and address implementation issues.

**Ensure interoperability of different databases using the Philsys ID and promote the use of digital platforms for social service delivery**
The information systems of government agencies should be designed to be interoperable using digital technology and the Philippine Identification System (PhilSys) ID as the identifier for the individual. Interoperable digital information systems will facilitate targeting and location of eligible beneficiaries and efficient delivery of services. Digital platforms, whenever feasible, should be used to deliver social services such as cash transfers.

**Promote price stability through increased competition**
Income increases need to be greater than price increases to realize an increase in real incomes. Thus, policies aimed at promoting stable or lower prices are vital to ensure that the minimum income needed to meet basic food and nonfood needs is within reach of everyone.

Increasing competition is one way to ensure stable or lower prices. There are still commodities where prices are much higher in the country than in neighboring countries. Policies can be revisited to identify measures to make these sectors more competitive. For instance, electricity prices in the country are the second-highest in the region. The price of medicines in the Philippines is much higher than in Viet Nam and India.
Housing constitutes a significant portion of a family’s expense. Ballesteros et al. (2016) underscored the need to develop the rental housing market to provide affordable housing. They recommended repealing the rent control law to encourage private sector investments in the housing market.

E-commerce can potentially increase competition and bring down prices of commodities to consumers.

**Improve disaster preparedness**

Since the country is vulnerable to shocks and shocks can lead to higher transient poverty, disaster preparedness is essential. Greater capacity building for local government units in preparing for disasters will help deal with shocks. Putting the necessary infrastructure, such as evacuation centers, in place will facilitate immediate response. In addition to identifying evacuation centers, the list of potential victims could be prepared ahead of time. This will also facilitate the positioning of food packs and other supplies.

Postdisaster assessment is also a must to determine program design and implementation gaps and develop solutions. It is also vital to document responses made and critically assess these and learn from them and identify best practices that can be replicated.

**References**


Is eradicating poverty in the Philippines by 2030 doable?


